

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 57976

**CITY OF REPUBLIC**

Ferry County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: January 17, 1997

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CITY OF REPUBLIC  
Ferry County, Washington  
January 1, 1995 Through December 31, 1995

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**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

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Mayor  
City of Republic  
Republic, Washington

We have audited the financial statements, as listed in the table of contents, of the City of Republic, Ferry County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated August 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Republic is the responsibility of the city's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the city's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the city's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are (1) failures to follow requirements or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or (2) considerable failure to comply with the laws and the *Constitution of the State of Washington*, the city's ordinances and orders, and the requirements of the State Auditor's Office. The results of our tests of compliance disclosed an instance of noncompliance that may materially affect the financial statements. The material instance of noncompliance noted during our audit is disclosed in the accompanying Schedule of Federal Findings.

We considered the instance of noncompliance in forming our opinion on whether the city's financial statements are fairly presented, in all material respects, in conformity with the prescribed basis of accounting and the statutory provisions described in paragraph four of this report.

Except for the material instance of noncompliance disclosed in the Schedule of Federal Findings accompanying this report, the results of our tests of compliance indicate that, with respect to the items tested, the city complied, in all material respects, with the provisions referred to in the third and fourth paragraphs of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those provisions. However, we noted the immaterial instance of noncompliance disclosed in the Schedule of Findings accompanying this report.

As identified above, we noted matters involving noncompliance with laws and regulations related to federal financial assistance which were reported to the city's management in our reports on general requirements and specific compliance for nonmajor program transactions, and in the Schedule of Federal Findings and Schedule of Questioned Costs.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 30, 1996

CITY OF REPUBLIC  
Ferry County, Washington  
January 1, 1995 Through December 31, 1995

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**Independent Auditor's Report On Internal Control Structure  
At The Financial Statement Level**

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Mayor  
City of Republic  
Republic, Washington

We have audited the financial statements of the City of Republic, Ferry County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated August 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the city, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted a reportable condition that we believe to be a material weakness, which is identified in the Schedule of Federal Findings accompanying this report.

As identified above, we noted matters involving compliance with laws and regulations related to federal financial assistance which were reported to the city's management in our reports on general requirements and specific compliance for nonmajor program transactions, and in the Schedule of Federal Findings and Schedule of Questioned Costs.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 30, 1996

## Schedule Of Findings

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1. The Police Department Should Track Traffic Citations From Issuance To Disposition

There is a lack of controls over the issuance and disposition of traffic citations in the police department. Citation books were not issued in sequence and a record of citation books issued was not maintained. The police department was unable to provide copies of citations issued, all copies of citations voided, or a record of their disposition. Eleven percent of the traffic citations issued during 1995 were missing.

RCW 46.64.010 states in part:

The chief administrative officer of every such traffic enforcement agency shall be responsible for the issuance of such books and shall maintain a record of every such book and each citation contained therein issued to individual members of the traffic enforcement agency and shall require and retain a receipt for every book so issued . . .

The chief administrative officer of every traffic enforcement agency shall require the return to him of a copy of every traffic citation issued by an officer under his supervision to an alleged violator of any traffic law or ordinance and of all copies of every traffic citation which has been spoiled or upon which any entry has been made and not issued to an alleged violator . . .

Such chief administrative officer shall also maintain or cause to be maintained in connection with every traffic citation issued by an officer under his supervision a record of the disposition of the charge by the court or its traffic violation bureau in which the original copy of the traffic citation was deposited . . .

RCW 46.64.010 also states in part:

Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible.

The lack of accountability over traffic citations increases the risk that missing citations would not be detected in a timely manner, if at all. As a result, the city cannot be assured that all traffic fines owed were collected.

We recommend that the police department establish procedures, in accordance with statute, to ensure accountability over all traffic citations. We also recommend that the city's clerk/treasurer audit traffic citations on a monthly basis.

*Auditee's Response*

*City officials were given an opportunity to respond, but declined to do so.*



CITY OF REPUBLIC  
Ferry County, Washington  
January 1, 1995 Through December 31, 1995

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**Independent Auditor's Report On Financial Statements And Additional  
Information**

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Mayor  
City of Republic  
Republic, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of the City of Republic, Ferry County, Washington, for the fiscal year ended December 31, 1995. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the city prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the City of Republic for the fiscal year ended December 31, 1995, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Debt and Schedule of State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 1996, on our consideration of the city's internal control structure and a report dated August 30, 1996, on its compliance with laws and regulations.

Brian Sonntag  
State Auditor

August 30, 1996

CITY OF REPUBLIC  
Ferry County, Washington  
January 1, 1995 Through December 31, 1995

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**Independent Auditor's Report On Supplementary Information  
Schedule Of Federal Financial Assistance**

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Mayor  
City of Republic  
Republic, Washington

We have audited the financial statements of the City of Republic, Ferry County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated August 30, 1996. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the City of Republic taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag  
State Auditor

August 30, 1996

**CITY OF REPUBLIC**  
**Ferry County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With The General Requirements  
Applicable To Federal Financial Assistance Programs**

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Mayor  
City of Republic  
Republic, Washington

We have audited the financial statements of the City of Republic, Ferry County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated August 30, 1996.

We have applied procedures to test the city's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Relocation assistance and real property acquisition
- Subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow general requirements that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed a material instance of noncompliance that is described in the accompanying Schedule of Federal Findings and Schedule of Questioned Costs.

We considered the material instance of noncompliance in forming our opinion on whether the financial statements are presented fairly, in all material respects, in conformity with the prescribed basis of accounting, and this report does not affect our report dated August 30, 1996, on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the City of Republic complied, in all material respects, with the requirements referred to in the second paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe the city had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 30, 1996

**CITY OF REPUBLIC**  
**Ferry County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With Specific Requirements**  
**Applicable To Nonmajor Federal Financial Assistance Program Transactions**

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Mayor  
City of Republic  
Republic, Washington

We have audited the financial statements of the City of Republic, Ferry County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated August 30, 1996.

In connection with our audit of the financial statements of the city and with our consideration of the city's internal control systems used to administer federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal year ended December 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed a material instance of noncompliance that is described in the accompanying Schedule of Federal Findings and Schedule of Questioned Costs.

We considered these material instances of noncompliance in forming our opinion on whether the financial statements are presented fairly, in all material respects, in conformity with the prescribed basis of accounting, and this report does not affect our report dated August 30, 1996, on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the City of Republic complied, in all material respects, with the provisions referred to in the second paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 30, 1996

CITY OF REPUBLIC  
Ferry County, Washington  
January 1, 1995 Through December 31, 1995

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**Independent Auditor's Report On Internal Control Structure Used In  
Administering Federal Financial Assistance Programs**

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Mayor  
City of Republic  
Republic, Washington

We have audited the financial statements of the City of Republic, Ferry County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated August 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the city's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated August 30, 1996.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the



structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
  - Cash receipts
  - Receivables
  - Purchasing, receiving, and accounts payable
  - Payroll
  - General ledger
- **General Requirements**
  - Political activity
  - Davis-Bacon Act
  - Civil rights
  - Cash management
  - Federal financial reports
  - Allowable costs/cost principles
  - Drug-Free Workplace Act
  - Administrative requirements
- **Specific Requirements**
  - Types of services
  - Eligibility
  - Matching, level of effort, earmarking
  - Reporting
  - Special requirements
- **Claims For Reimbursements**
- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
  - Cash disbursements
  - Inventory control
  - Property, plant, and equipment
- **General Requirements**
  - Relocation assistance and real property acquisition
  - Subrecipient monitoring
- **Claims For Advances**

During the fiscal year ended December 31, 1995, the city had no major federal financial assistance programs and expended 76 percent of its total federal financial assistance under the following nonmajor federal financial assistance program: U.S. Department of Transportation (CFDA 20.205).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the aforementioned nonmajor program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structures policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the city's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we noted a reportable condition involving the internal control structure and its operation that we believe to be a material weakness as described above. The condition, which is identified in the Schedule of Federal Findings accompanying this report, is considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the city's compliance with requirements applicable to its nonmajor federal financial assistance programs for the fiscal year ended December 31, 1995, and this report does not affect our report thereon dated August 30, 1996.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 30, 1996

CITY OF REPUBLIC  
Ferry County, Washington  
January 1, 1995 Through December 31, 1995

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Schedule Of Federal Findings

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1. Payroll Charges To Federal Programs Should Comply With Federal Regulations

Our audit of the Public Safety Partnership and Community Policing Services Grant (CFDA 16.710) found that the city received reimbursement for direct payroll expenditures in excess of those actually incurred. This is not allowed by federal regulations.

OMB Circular A-87, Attachment B, Section B.10.b states in part:

. . . amounts charged to grant programs for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and provided in accordance with generally accepted practice of the State, local, or Indian tribal government. Payroll must be supported by time and attendance or equivalent records for individual employees  
. . . .

The U.S. Department of Justice awarded the grant to Ferry County. An interlocal agreement between the city and county committed grant funds to help retain one city police officer. In the city's fiscal 1995 pay request, it billed the county for the amount budgeted in the interlocal agreement instead of actual expenditures. As a result, \$4,129 worth of payroll expenditures charged were unsupported. See the accompanying Schedule of Questioned Costs.

We recommend the city repay the \$4,129 in unallowable expenditures to Ferry County. We further recommend the city base future reimbursement requests on actual expenditures.

Auditee's Response

*The City charged Ferry County under the conditions set in the 1995 Criminal Justice Agreement. The agreement states Ferry County will pay the City sixty-nine percent for one retained City Officer under the COPS grant, which is \$22,786.48. The City billed this amount to Ferry County and received \$22,795.26. The City has corrected the billing to reflect actual salary and benefits. The City has repaid \$4,129 to Ferry County for payroll charges.*

Auditor's Concluding Remarks

It appears the city has properly resolved this matter. We will review the repayment during our next audit.

We wish to thank city officials and personnel for their assistance and cooperation during our audit.

CITY OF REPUBLIC  
Ferry County, Washington  
January 1, 1995 Through December 31, 1995

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Schedule Of Questioned Costs

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<u>Grant</u>	<u>Costs Questioned</u>	<u>Explanation/ Reference</u>
Public Safety Partnership and Community Policing Grants (CFDA 16.710)	\$4,129	See Federal Finding 1

CITY OF REPUBLIC  
Ferry County, Washington  
January 1, 1995 Through December 31, 1995

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Status Of Prior Findings

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The findings contained in the prior audit report were resolved as follows:

1. Expenditures At The City Of Republic Should Be Paid In Accordance With The Revised Code Of Washington

Resolution: *This issue has been resolved.*

2. The City Of Republic Should Monitor Its Budget To Ensure That Expenditures Are Within Budget Appropriations

Resolution: *This issue has been resolved.*